

**SALES AND USE TAX REVIEW COMMISSION
RECOMMENDATION PURSUANT TO P.L. 1999, C. 416**

BILL NUMBER:

A-1673

DATE OF INTRODUCTION:

January 31, 2002

SPONSOR:

Assemblyman Cohen

DATE OF RECOMMENDATION:

April 30, 2002

IDENTICAL BILL:

COMMITTEE:

Assembly Consumer Affairs

DESCRIPTION:

This bill concerns the calculation of sales tax on casual sales of passenger automobiles.

ANALYSIS:

There are no apparent tax administration reasons to support this amendment. The Commission does not believe that it is good tax policy to pass legislation enabling sellers and buyers of motor vehicles to avoid the constraints of audit where the value of property sold is much greater, by objective measures, than the disclosed receipt. Thus, the amendment promotes collusion between a buyer and seller when it comes to indicating the actual price paid for a motor vehicle. It invites the parties to trim the receipt in order to save the buyer a substantial part of the sales tax otherwise due on the sales transaction.

If this bill is enacted into law, the Commission believes that casual automobile sale transactions will be impossible to enforce and fraud will invariably occur. The bill eliminates the means of verifying the purchase price of a casual sale of an automobile and enforcing the sales tax imposed on motor vehicle casual sales. In a casual sale the only record of the amount of consideration received by the seller is contained on the title of the automobile being sold. With no means to verify the purchase price, this bill will allow buyers to reflect any amount desired as the purchase price of a passenger motor vehicle. It is foreseeable that such a "no audit policy" will be widely misused and easily abused by consumers.

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RECOMMENDATION:

The Commission does not recommend enactment of this bill.

COMMISSION MEMBERS FOR PROPOSAL: 0

COMMISSION MEMBERS AGAINST PROPOSAL: 5

COMMISSION MEMBERS ABSTAINING: 0

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